

**REPORT OF THE AUDIT OF THE
HICKMAN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2004**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Pruitt, Hickman County Judge/Executive
The Honorable J.W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Hickman County, Kentucky, for the year ended December 31, 2004.

We engaged Tichenor & Associates, LLP, to perform the audit of this statement. We worked closely with the firm during our report review process; Tichenor & Associates, LLP, evaluated the Hickman County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HICKMAN COUNTY SHERIFF

**For The Year Ended
December 31, 2004**

Tichenor & Associates, LLP has completed the Hickman County Sheriff's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$8,073 from the prior year, resulting in excess fees of \$8,073 as of December 31, 2004. Revenues increased by \$17,069 the prior year and expenditures increased by \$8,996.

Report Comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff's Office Should Deposit Receipts On A Daily Basis

Deposits:

Bank bonds collateralized the Sheriff's deposits.

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The Honorable Greg Pruitt, Hickman County Judge/Executive
The Honorable J.W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Hickman County, Kentucky, for the year ended December 31, 2004. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2005, on our consideration of the Hickman County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

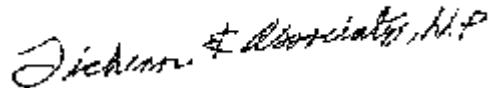
The Honorable Greg Pruitt, Hickman County Judge/Executive
The Honorable J. W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff's Office Should Deposit Receipts On A Daily Basis

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Hickman County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Tichenor & Associates, LLP".

Tichenor & Associates LLP

Audit fieldwork completed -
October 14, 2005

HICKMAN COUNTY
J. W. MORAN, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

State - Kentucky Law Enforcement Foundation Program Fund	\$	7,239
State Fees For Services:	\$	3,440
Meals For Jurors	82	
Elections Commissions	300	
Courthouse Security Annex	46,408	
Quarterly From State	<u>3,060</u>	53,290
Circuit Court Clerk:		
Sheriff Security Service	4,579	
Fines And Fees Collected	<u>720</u>	5,299
Fiscal Court		18,750
County Clerk - Delinquent Taxes		306
Commission On Taxes Collected		57,385
Fees Collected For Services:		
Auto Inspections	2,350	
Accident And Police Reports	78	
Serving Papers	4,720	
Carrying Concealed Deadly Weapon Permits	1,605	
Transfer Mental Patients	<u>533</u>	9,286
Conveying Convicts		545
Interest Earned		83
Donations		250
Reimbursement (County)		22,876
Borrowed Money:		
State Advancement	30,000	
Tax Penalty Fees	<u>6,874</u>	36,874
Transfer From Court Security Account		<u>6,936</u>
Total Revenues	\$	<u>219,119</u>

The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY
J. W. MORAN, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Expenditures

Operating Expenditures And Capital Outlay:

Personnel Services-

Courthouse Security Salaries	\$ 44,937	
Deputies' Salaries	20,580	
Contract Labor	<u>170</u>	\$ 65,687

KLEFPF 7,239

Contracted Services-

Advertising 879

Materials And Supplies-

Office Materials And Supplies	838	
Uniforms	945	
Phone	4,820	
Radio	<u>433</u>	7,036

Auto Expense-

Mileage 13,366

Other Charges-

Dues	300	
Postage	1,507	
Carrying Concealed Deadly Weapon Permits	<u>565</u>	2,372

Miscellaneous 1,278

Reimbursement (County) 22,876

Debt Service:

State Advancement 30,000

Total Expenditures \$ 150,733

Net Revenues \$ 68,386

Less: Statutory Maximum 60,313

Excess Fees Due County For 2004 8,073

Payments To Fiscal Court (8,073)

Balance Due Fiscal Court At Completion Of Audit \$ 0

HICKMAN COUNTY
J. W. MORAN, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31, 2004 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HICKMAN COUNTY
J. W. MORAN, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2004, the Sheriff's deposits were fully collateralized at a 100% level with collateral of a surety bond naming the Sheriff as beneficiary/obligee on the bond.

Note 4. Drug Fund

During 2004, the Sheriff maintained a Drug Fund for the purpose of drug eradication and drug education. The balance at January 1, 2004 was \$9,062. Court ordered forfeitures from drug dealers were received in the amount of \$4,013. Disbursements for the current year were \$3,288. The balance at December 31, 2004 was \$9,787.

COMMENTS AND RECOMMENDATIONS

HICKMAN COUNTY
J. W. MORAN, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2004

INTERNAL CONTROL - REPORTABLE CONDITION:

The Sheriff's Office Lacks Adequate Segregation Of Duties

During our review of internal controls, we found that the office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions, the official has limited options of establishing an adequate segregation of duties. However, the lack of segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We recommend that the following compensating controls be implemented to offset these internal control weaknesses.

Cash receipts by mail should be received and recorded by someone separate from the duties of handling and/or posting cash receipts to the ledger. At a minimum, only one person should be designated to receive and open mail. The Official could greatly increase the level of compensating controls by requiring mandatory vacations and performing surprise cash counts.

The Official should periodically, compare the daily bank deposit to the daily checkout sheet and then compare the daily check out sheet to the receipts ledger. Any differences should be reconciled. The Official should document this review by initialing and dating the bank deposit, daily checkout sheet, and receipts ledger.

The Official should periodically, and on a surprise basis, compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Official should document this review by initialing and dating the bank reconciliation and the balance in the checkbook.

The Official should compare the quarterly financial report to the receipts and disbursements ledgers for accuracy. The Official should also compare the salaries listed on the quarterly report to the individual earnings records. Any differences should be reconciled. The Official should document this review by initialing and dating the quarterly financial report.

The Official should periodically compare invoices to payments. The Official should document the review by initialing and dating the invoices.

Sheriff's Response: We are a small department with 3 full time people. We handle the situation the best we can.

STATE LAWS AND REGULATIONS:

The Sheriff's Office Should Deposit Receipts On A Daily Basis

During our review, we noted that the Sheriff's office does not deposit receipts daily. KRS 68.210 gives the State Local Finance Officer the authority to establish minimum requirements which includes depositing receipts intact on a daily basis into a federally insured banking institution. We recommend the Sheriff's office deposit all receipts daily.

Sheriff's Response: We deposit weekly. Some days we have no deposits to be made. We feel it is appropriate with our small department to make weekly deposits.

HICKMAN COUNTY
JW MORAN, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2004
(Continued)

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PRIOR YEAR:

The County Sheriff Is Prohibited By Law From Receiving A Gift Or Donation From A Nongovernmental Entity

This has been corrected.

Lacks Adequate Segregation Of Duties

This was not corrected and is repeated in the current year.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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The Honorable Greg Pruitt, Hickman County Judge/Executive
Honorable J.W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Hickman County Sheriff for the year ended December 31, 2004, and have issued our report thereon dated October 14, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hickman County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

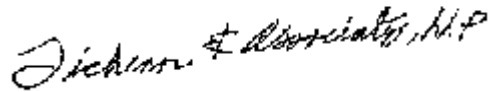
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hickman County Sheriff's financial statement for the year ended December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards.

- The Sheriff's Office Should Deposit Receipts On A Daily Basis

Respectfully submitted,

A handwritten signature in black ink that reads "Tichenor & Associates, LLP". The signature is written in a cursive, flowing style.

Tichenor & Associates, LLP

Audit fieldwork completed -
October 14, 2005

